

Investing Environment Review and Outlook – Volume 93

Dollar Down: Bullish for Commodities

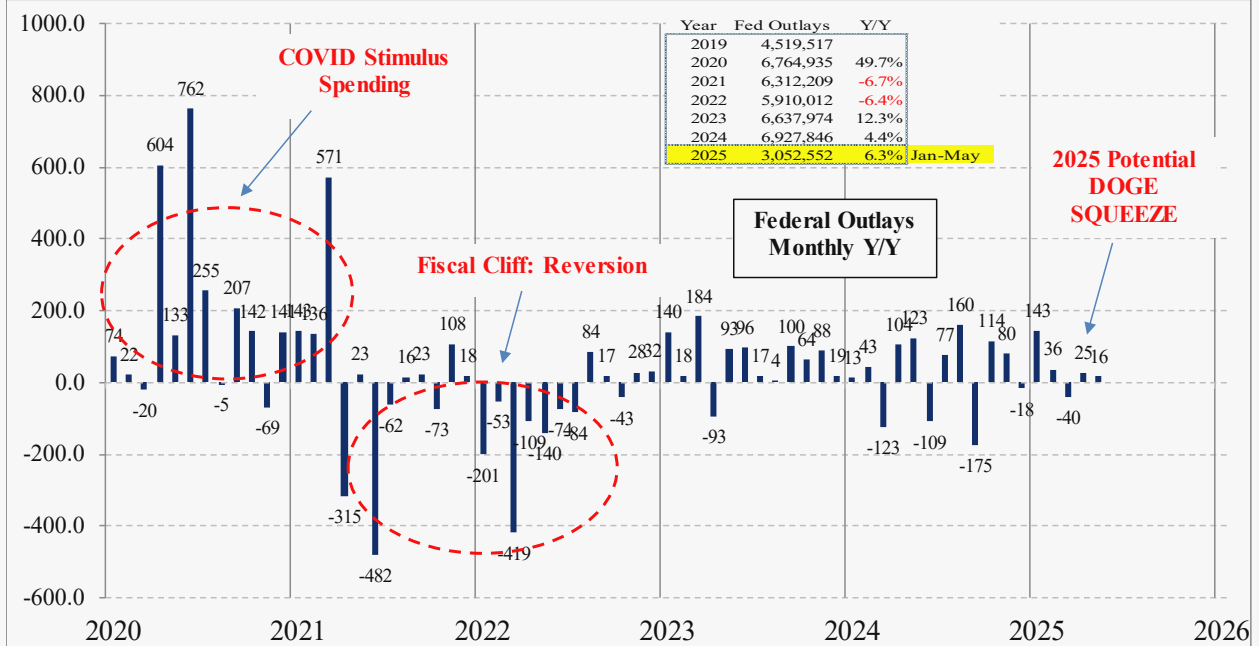
The Dollar Index is down 9.2% YTD to 98.1, the lowest since March 2022. Currency moves are often predictive for commodity prices for a number of economic reasons. For instance, since 1979 U.S. copper prices returned 13.5% annualized when the Dollar Index was down over 5% Y/Y, over 3x the norm over that period of 3.6%. This return was also consistent over time, with positive returns in each 10-year period since then. We moved our Industrial Commodities rating to a bullish 4 this month, based on the weak dollar and improving economic outlook.

**Weak Dollar:
Bullish for Copper**

Federal Expenditures Still Positive: Economic Outlook Positive

Government spending affects the economy directly as we all witnessed to the upside after COVID, and following the fiscal cliff to the downside in 2021-2022. Consensus expected a recession in 2023, which never arrived. One reason was strong government spending persisting to the upside up 12% Y/Y. This year, despite all the talk of reducing the deficit, government spending is still rising. Federal outlays were reported at \$687 billion in May, up 16 billion from May 2024. Year to date outlays were \$3.0 trillion, up 6.3% Y/Y, still supportive of the economy. Our economic outlook indicators improved to 57.8 today, up from a low of 39.0 in April. Historically, readings over 60 were followed by a higher ISM Manufacturing Index over the next 6 months. An upside surprise in the economy is typically accompanied by stronger commodity prices and higher long-term interest rates, even if the Fed cuts short-term rates as expected.

Federal Outlays Still Positive No DOGE Squeeze



Our economic outlook indicators are improving, with bullish implications for equities, commodities and higher interest rates. We will continue monitoring market conditions and adjusting exposures as needed. Thank you for your support and please contact us with any questions.



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